



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

July 31, 2012

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
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MICHAEL D. ANTONOVICH
Fifth District

STATUS REPORT ON THE REQUEST FOR PROPOSALS AND NEW SYSTEM CONVERSION FOR WORKERS' COMPENSATION CLAIMS ADMINISTRATION SYSTEM MAINTENANCE AND HOSTING SERVICES

On February 28, 2012, the Board approved a recommendation to execute a sole source contract with P&C Claims, Incorporated (P&C), for application hosting and maintenance services to support the current County of Los Angeles (County) workers' compensation claims administration system (Genlris) and conversion to a modern relational database system called ClaimsVision (see attached). At that time, the Board also instructed the Chief Executive Office (CEO) to immediately initiate the Request for Proposals (RFP) process for a new workers' compensation system and to report back in July 2012, and every six months thereafter, on the status of the RFP development and the conversion of Genlris to ClaimsVision. This memorandum provides a status report on the RFP development and system conversion.

Background

The current system, Genlris, provides applications required to manage the County's self-insured workers' compensation program. Nearly 300 users, including the County workers' compensation third-party administration firms, medical management firms, CEO, County Counsel, and other County employees, depend on the system to facilitate workers' compensation processes. These processes include meeting State statutory requirements, Federal mandates, providing workers' compensation benefits on approximately 24,500 open claims, and initiating approximately 400,000 payment request transactions annually.

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Conversion of GenIris to ClaimsVision (a Modern Relational Database)

The CEO and P&C are engaged in a system conversion that will replace GenIris with ClaimsVision. Initial discussions began in April 2012, which led to the development of a Project Charter. CEO and P&C have identified personnel to oversee the conversion of data from GenIris to ClaimsVision, configure necessary business processes and reporting, assure robust interfaces, and perform user acceptance testing. The following is the conversion project timeline:

Milestone/Phase	Proposed Completion
Project Initiation	July 2012
Sandbox/Application Training	August 2012
Sandbox Environment Delivery	August 2012
Business Requirements – Design Study	October 2012
Business Requirements – Interfaces	October 2012
Business Requirements – Reports	October 2012
Development	January 2013
Conversion of Static Historical Data	April 2013
Go-Live Simulation	June 2013
QA – Unit Testing	July 2013
QA – User Acceptance Testing	August 2013
Final Implementation	September 2013
Go Live	September 2013
Post Live Support and Project Closure	October 2013

RFP for New Workers' Compensation System

On March 2, 2012, CEO issued a Work Order Request for Assistance with Solicitation for a new Workers' Compensation Administration and Management Information System under the Risk Management and Insurance Consulting Services Master Agreement. Warren, McVeigh & Griffin, Inc. (WMG) was selected to assist in the development of the Statement of Work (SOW), RFP, and in the selection of a contractor. The project timeline follows:

PROJECT DELIVERABLES	TASKS	DUE DATES
Phase 1 System Requirements	Determine new system functionalities	July 2012
Phase 2 RFP Development	Development of minimum qualifications	August 2012
	Development of Scope of Work	August 2012
	Development of Pricing Model	August 2012
	Review of RFP and related documents to ensure they are appropriate and reasonable	September 2012
Phase 3 A Contractor Selection	Development of evaluation criteria and materials	August 2012
	Release RFP	April 2014
Phase 3 B Contractor Selection	Selection notification	September 2014
	Recommendation to Board	December 2014

After soliciting an assessment from various system users, WMG developed a draft SOW. On June 27, 2012, WMG submitted the draft SOW, which is currently under review by CEO staff. The finalized SOW will be used as the basis for the RFP and proposal evaluation form. After conversion of Genlris to ClaimsVision is completed (October 2013), the CEO will integrate the ClaimsVision information into the RFP and release the RFP no later than April 2014. The CEO will provide the Board with a selection and recommendation for a new system in December 2014.

The CEO will provide another status report to the Board in January 2013.

For more information your staff may contact Steve NyBlom, Acting Risk Manager, at (213) 351-5346 or snyblom@ceo.lacounty.gov. If you have any questions, please have your staff contact Ellen Sandt at (213) 974-1186 or esandt@ceo.lacounty.gov.

WTF:EFS
 SEN:AR:rn

Attachment

- c: Executive Office, Board of Supervisors
- County Counsel
- Chief Information Office



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WILLIAM T FUJIOKA
Chief Executive Officer

February 28, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

#18 FEBRUARY 28, 2012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

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Second District

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Fifth District

Dear Supervisors:

**RECOMMENDATION TO APPROVE A SOLE SOURCE CONTRACT
FOR WORKERS' COMPENSATION CLAIMS ADMINISTRATION
SYSTEM MAINTENANCE AND HOSTING SERVICES
(ALL DISTRICTS - 3 VOTES)**

CHIEF INFORMATION OFFICER RECOMMENDATION:

APPROVE (X) APPROVE WITH MODIFICATIONS () DISAPPROVE ()

SUBJECT

This letter seeks your Board's approval for a sole source Contract with P&C Claims, Incorporated (P&C), for maintenance and hosting services to support the workers' compensation claims administration system and to upgrade the system and convert the files from the 27-year-old database to a modern database, for a base term of three years, with three, one-year options to extend the contract, effective March 1, 2012, at a maximum contract cost of \$2,885,232 including extensions.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to execute the attached sole source contract with P&C for application hosting and maintenance services to support the Workers' Compensation Claims Administration System (System), upgrade the system and correct the database. The base contract will be effective for three years, commencing March 1, 2012, with a maximum contract sum not to exceed \$1,519,684, and includes an option to extend services up to three additional one-year terms.
2. Delegate authority to the CEO to execute the software agreement pursuant to the provisions of this contract.
3. Direct the CEO to immediately initiate the Request for Proposals (RFP) process for a workers' compensation claims administration system.

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4. Direct the CEO to report back in July 2012, and every six months thereafter, on the status of the RFP development and the conversion of the current workers' compensation system to a modern database system.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The contractor, P&C, is the successor company to GenSource, which was the original contractor that provided, installed, custom designed, maintained, and hosted the System. Currently, 300 users, including the County of Los Angeles (County) workers' compensation third party administrators (TPAs), medical management and cost containment contractors, short-term and long-term disability benefit administrator, CEO Risk Management Branch, County Counsel, and other County departments, depend on the System's applications to manage the County's workers' compensation claims administration program, process indemnity payments to injured employees, issue medical payments to healthcare and ancillary service providers, generate State-mandated benefit notices, and issue reports required by State and Federal entities. Failure to issue timely payments will subject the County to costly penalties and potential loss of its certificate to self-insure. The proposed contract maintains the current system, while providing a significant system upgrade and conversion to a modern database system at a very cost-effective price.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the County's Strategic Plan Goal 1, Operational Effectiveness, by ensuring continuous and effective service delivery systems. The contract and system are in accordance with the current CEO Business Automation Plan (BAP).

FISCAL IMPACT/FINANCING

The maximum base term contract cost will be \$1,519,684, which is itemized as follows:

- A maximum \$749,184 total for system maintenance and support, including software upgrades to support 300 users;
- A maximum \$310,500 (\$103,500 per year) for State of California-mandated electronic transfer of workers' compensation claims data from the System to the California Department of Industrial Relations (DIR). The contract assigns responsibility to P&C for ensuring the information collected by the County's TPAs is transferred to DIR;
- A maximum \$60,000 (\$20,000 per year) for user training, as may be required by the County;
- A maximum of \$300,000 to upgrade the GenIris system to ClaimsVision; and
- A maximum of \$100,000 in funding for system customization, including the eCAPS interface.

In the event the County elects to extend the contract for services beyond the base term, the maximum cost will not exceed \$2,885,232, which will be the total for six years. The cost for each extension is as follows:

First Year Extension	\$ 483,288
Second Year Extension	\$ 438,484
Third Year Extension	\$ 443,776
Total	\$ 1,365,548

The base term and any contract extension costs will be paid out of the Workers' Compensation Trust Fund.

Expenditures for the Fiscal Year 2010-11 contract year were \$356,932. This included costs for the following:

- \$ 240,000 (\$20,000 per month) for system maintenance;
- \$103,500 for electronic transfer of workers' compensation claims data to the DIR; and
- \$13,432 for optional work/customization.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On March 1, 2007, your Board approved a sole source contract with GenSource, a Division of StrataCare Inc. Effective December 31, 2009, all assets of GenSource were assigned to P&C.

The contractor, P&C, is a recognized leader in the workers' compensation information system industry. The firm has an extensive knowledge of the County's workers' compensation program and has provided and continues to provide software modifications and upgrades at minimal expense. All users agree that while the existing system is not state-of-the-art, it has continued to deliver consistent and reliable performance since 1985. P&C has developed an upgrade to their GenTris claims administration system which is being marketed under the name ClaimsVision. They are offering this product to existing users at a reduced rate if the upgrade is purchase in 2012. P&C states the reduced rate of \$300,000 is less than half of the cost of the ClaimsVision system to new clients.

By comparison, we have identified costs for other agencies who have or are planning to upgrade to modern workers' compensation data base systems:

Business/Organization	Migration Date	New/Upgraded System Cost	5-Year Maintenance fees
City of Los Angeles	March, 2012 (planned)	\$2.85M	\$1.5M
San Bernardino County	2007-2008	\$1.3M	\$375,000
Keenan & Associates (TPA) approx 75% the size of L. A. County	2007	Approximately \$2M	Approximately \$1M (includes liability and disability systems)
County of Los Angeles	2012 (proposed)	\$300,000 - \$400,000	\$1.9M

The CEO recommends allowing P&C to implement their ClaimsVision system now for the following reasons:

- Pricing of the upgrade is reasonable compared to other options;
- P&C would be responsible for the migration and reconciliation of data between their two systems. If we were to migrate to a different vendor, neither P&C nor the new vendor would be obligated to support this transition. Having the same vendor handle both sides of the migration eliminates conflicts between vendors and results in substantial savings in both work hours and conversion costs for the County;
- There is a backup system (Genlris) built in, with full support from P&C, while the County makes the transition; and
- ClaimsVision is a modern database that would pave the way for an easier transition and attract more competitive bids from other vendor systems in the future.

The CEO Risk Management Branch intends to begin the RFP process for a new system immediately. Attached is a timeline showing the projected schedule for the RFP and also for the ClaimsVision conversion (Attachment I). The timeline runs the RFP development and the data system upgrade and conversion process concurrently, which will be challenging given limited CEO staff resources, but should be doable. The extension proposed at this time will allow P&C to complete the conversion of the current system to the upgraded ClaimsVision and the continuation of services under this system if, and until, a replacement system is implemented. Once ClaimsVision goes live, any final modifications needed to the RFP will be made and the RFP released immediately afterwards.

The CEO will report back to your Board in July 2012, and every six months thereafter, on the status of the RFP and data conversion process.

The attached contract has been approved as to form by County Counsel and reviewed by the Chief Information Officer (CIO Analysis Attached). Both concur with the CEO's recommendations.

CONTRACTING PROCESS

On December 8, 2011, we notified your Board of our intent to negotiate a sole source contract with P&C (Attachment II). The system software is proprietary to P&C; therefore, no other vendor can provide the necessary maintenance and support.

IMPACT ON CURRENT SERVICES

Continuation of this system is essential to ensure timely and accurate issuance of County workers' compensation benefits and payments, and to avoid potential imposition of State penalties for late benefit payments. It will allow the Department to issue an RFP and provide time for system upgrade and data conversion before a replacement workers' compensation claims administration system is implemented.

The Honorable Board of Supervisors
February 28, 2012
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CONCLUSION

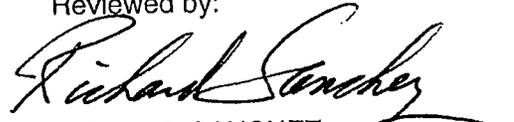
Upon approval by your Board, please return two signed originals of the Contract and one adopted copy of the letter to the CEO Risk Management Branch, attention Laurie Milhiser, County Risk Manager.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

Reviewed by:



RICHARD SANCHEZ
Chief Information Officer

WTF:ES:RS
LM:RC:KF:tv

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Chief Information Officer

Request For Proposal	Project Begin	Project End	Conversion To Claims Vision	Project Begin	Project End
Project Task	Project Begin	Project End	Project Task	Project Begin	Project End
RFQ Select Consultant	3/1/2012	3/28/2012	System Evaluation		
Conduct Kick-off Meeting	4/2/2012	4/2/2012	California Compliance	4/3/2012	5/1/2012
Phase 1 Milestone	4/2/2012	4/2/2012	Business Rules Development	4/3/2012	5/1/2012
Needs Assessment			User Technical Requirements	4/3/2012	5/1/2012
Security and System Parameters	4/3/2012	5/1/2012	Security/Authorization Levels	4/3/2012	5/1/2012
Application Menu			Create Project Plan	5/2/2012	5/7/2012
Examiner Menus	4/3/2012	6/29/2012			
Benefit Notice Menu	4/3/2012	4/30/2012	Conversion Migration Customization	5/8/2012	2/6/2014
Payment Configuration	5/1/2012	5/15/2012	Interface & Production Testing	12/2/2013	2/19/2014
Vendor Table Configuration	5/1/2012	5/31/2012	Demo & Training	12/2/2013	2/19/2014
Document Generation Requirements	4/3/2012	4/30/2012	Go Live	3/3/2014	3/3/2014
Document Storage Requirements	4/3/2012	4/30/2012			
Disability Management	4/3/2012	4/30/2012			
Master Coding					
Cause, Nature, Body Part	4/3/2012	4/30/2012			
ICD 9+ Coding	4/3/2012	4/30/2012			
NCCI Injury Coding	4/3/2012	4/30/2012			
Organization + Sub-Organizations	4/3/2012	4/30/2012			
Occupation/Item	4/3/2012	4/30/2012			
Status - Sub-Status	4/3/2012	4/30/2012			
System Reporting					
Search Capability	5/1/2012	5/29/2012			
Standard Reporting	5/1/2012	5/29/2012			
Production Reporting	5/1/2012	5/29/2012			
Ad-Hoc Reporting	5/1/2012	5/29/2012			
Report Migration	5/1/2012	5/29/2012			
MMSEA	5/1/2012	5/29/2012			
PROSPO	5/1/2012	5/29/2012			
WCIS	5/1/2012	5/29/2012			
Interface Capability/Functionality					
Bill Review	6/1/2012	6/29/2012			
Utilization Review	6/1/2012	6/29/2012			
Payroll	6/1/2012	6/29/2012			
eCAPS	6/1/2012	6/29/2012			
Other County Systems	6/1/2012	6/29/2012			

